

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2000-967

December 19, 2000

VERIZON NEW ENGLAND, INC.
D/B/A VERIZON MAINE
Alternative Form of Regulation Filing
2000 Annual AFOR

ORDER APPROVING FILING

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

In this Order we approve the Alternative Form of Regulation (AFOR) Filing and the accompanying rate schedule pages filed by Verizon Maine on December 1, 2000. The filing is in compliance with the Commission's Orders in Docket No. 94-123, dated May 15, 1995, implementing the AFOR for Verizon Maine (formerly known as Bell Atlantic – Maine) and in Docket No. 99-851, dated October 27, 2000, that extended the expiration date of the AFOR until May 29, 2001. It also complies with the Commission's Orders governing annual AFOR filings by Verizon in Docket Nos. 94-123 and 97-667, dated March 9, 1998, and Docket Nos. 94-123 and 97-079, dated December 23, 1997. In order to implement the required rate reductions, Verizon Maine has filed tariff revisions that, based on test period billing units, will reduce its core non-discretionary revenues by approximately \$7.64 million, increase its core discretionary revenues by \$2.14 million, and result in a net revenue reduction of \$5.50 million, which complies with the requirements of the AFOR.

The rate reductions that Verizon proposes apply to the following services: Pine Tree Optional Calling Plan (OCP) overtime minutes rate; Sound Dial overtime minute rate; Business Link per minute rate; and an increase to the related volume discount percentage; Sensible Minute per minute rate; Business Link Bonus Credits; and elimination of non-recurring charges for ordering certain additional services. The Company proposes increases to the following Discretionary services: Phonesmart Caller ID without name; Business Custom Calling Services; and Telesure inside wire diagnostic and maintenance plans. Finally, the Company proposes to include in its API calculation the revenue effects of its elimination of Circle Calling Service, the OCP effects for customers of the Independent telephone companies and the effects of special toll contracts entered into during the test period.

Pursuant to the Commission's AFOR Order, the Price Regulation Index (PRI) governs the maximum allowed level of the Company's weighted average prices that will be in effect for the 12-month period beginning January 1, 2001 for its core services. The PRI is recalculated each year according to a formula that considers inflation (as measured by the annual rate of change in the Gross Domestic Product – Price Index), a 4.5% Productivity Offset, and any exogenous changes approved by the Commission. In

the instant filing, Verizon Maine calculated the new PRI to be 87.51, a reduction of 2.32% from the present PRI of 89.59, which was calculated in the Company's 1999 Supplemental AFOR Filing dated July 5, 2000. The 1999 Supplemental AFOR Filing was made in compliance with the Commission's Order Addressing Schools & Library Accrual, dated June 7, 2000, in Docket No. 99-629. In the Schools & Library Accrual Order, the Commission ordered Verizon Maine (then known as Bell Atlantic – Maine) to decrease the PRI to account for the termination of the accrual of the funding for schools and libraries information services that occurred on May 31, 2000.

The Average Price Index (API) reflects the actual average aggregate price for the Company's core services, as proposed by the Company. The API must always be less than or equal to the PRI, and in the present case, Verizon Maine has calculated its new API to be 87.50, which represents a reduction of 1.71% from the present API of 89.02. The Commission also determined in its Order dated June 7, 2000 in Docket No. 99-629 that the Company was not required to make any further reductions to the rates in effect at that time, but that the Company was required to adjust the API to reflect reductions that had already occurred, but which had not been included in the Company's previous API calculation. The present API was calculated in the Verizon Maine's 1999 Supplemental AFOR Filing dated July 5, 2000.

Because the AFOR was due to expire on December 1, 2000, the Company was not required to make an Annual AFOR filing on September 1, 2000, as it had done during the prior four years in which the AFOR was in effect. When the Commission determined in its Order dated October 27, 2000, in Docket 99-851, that the AFOR should be extended until May 29, 2001, it also ordered Verizon Maine to make an annual filing on December 1, 2000, with any required rate adjustments to become effective on January 1, 2001. The Commission indicated that all provisions of the present AFOR would remain in effect during the extension period.

The Company's filing of December 1, 2000, included the required calculation of the new PRI, including a very minor exogenous change that the Commission previously had ordered be included. The Company also provided the necessary information to show the revenue effect of its proposed core non-discretionary rate reductions and its proposed increases to core discretionary rates, so that its new API was shown to meet the new PRI target.

We have reviewed the Annual AFOR Filing made by Verizon Maine on December 1, 2000, and find that it is in compliance with the requirements of the AFOR that we have set forth in our various orders on the topic. We approve the calculation of the new PRI and the new API as included in the filing.

Accordingly, we find that the following rate schedules filed by Verizon Maine on December 1, 2000, are in compliance with the Commission's AFOR Order dated May 15, 1995, in Docket No. 94-123 and we approve them for effect on January 1, 2001:

(P.U.C. – Me. – No. 15)

Part A Section 3, Page 1, First Revision, Canceling Original
Part M Section 1, Page 4, First Revision, Canceling Original
Part M Section 1, Page 9, Second Revision, Canceling First Revision
Part M section 1, Page 23, Second Revision, Canceling First Revision
Part M section 1, Page 24, Second Revision, Canceling First Revision
Part M Section 1, Page 30, Second Revision, Canceling First Revision
Part M Section 1, Page 35, Second Revision, Canceling First Revision
Part M Section 1, Page 37, First Revision, Canceling Original
Part M Section 1, Page 38, First Revision, Canceling Original, and
Part M Section 1, Page 52, Third Revision, Canceling Second Revision.

Dated at Augusta, Maine, this 19th day of December, 2000.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR:

Welch
Nugent
Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.